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C O N F I D E N T I A L JERUSALEM 001889

SIPDIS

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SUBJECT: FAYYAD ACCEPTS MINISTER OF ECONOMY'S RESIGNATION

REF: JERUSALEM 1608

Classified By: Consul General Daniel Rubinstein for reasons 1.4 (b) and (d).

11. (C) Summary. PM Fayyad accepted the resignation of Minister of National Economy Bassim Khoury on October 15, nearly two weeks after Khoury submitted it in protest of the initial PA decision to support deferral of the Goldstone report in the HRC. Sources close to the Prime Minister confirm that Khoury's reaction to the Goldstone report was only the last straw - and that the PM had been unhappy with his performance for some time. Fayyad told the Consul General October 16 that he will assume Khoury's portfolio, including WTO observership issues, for the time being. End Summary.

12. (C) Palestinian Prime Minister Salam Fayyad accepted the resignation of Bassim Khoury on October 15. Khoury had initially submitted his resignation on October 3, in protest of the initial PA decision to support deferral of the Goldstone report by the Human Rights Council. An assistant in the PM's office (please protect) told us that Fayyad had grown increasingly tired of Khoury's penchant to "drop troubles on the PM's desk," and had taken deep offense at what he perceived to be Khoury's public attempt to demonstrate "that he cares more about Palestine than the PM." Fayyad, according to this source, was prepared to keep Khoury onboard until earlier this week, when - instead of offering to "withdraw" his resignation - Khoury sent the PM a letter asking him to "hold" his resignation for the time being. Khoury also continued to make unwelcome news for the PM, including recent comments to "Le Monde" that claimed the PA and donors were funding Hamas through their programs in Gaza.

13. (C) Fayyad told the Consul General on October 16 that he will assume responsibility for the Ministry of Economy until a replacement can be selected, but noted that the current heated political environment could delay that process. Khoury had been the PA's lead on the effort to secure observership at the WTO. He also played a key role as head of the "Borders and Crossings Committee," an interministerial group working to revise the PA's authorities related to administration of the crossings.

14. (C) Comment: Khoury, who is one of the West Bank's most successful entrepreneurs and pharmaceutical executives, had a hard time adjusting to political life. He felt deeply burned by Israeli public statements following the Joint Economic Committee meeting on September 2 (reftel) that left him exposed to wide-ranging criticism within the Cabinet. Contacts have speculated that his recent public political

posturing, including on Goldstone, was an effort to "prove himself" to those who saw the JEC as evidence that he was too willing to do business with the Israelis. Khoury himself repeatedly expressed regret "at having accepted this job." While he was aggressive in laying out a much-needed program for reform in the Ministry, he did not demonstrate the touch required to pull it off without angering important (and powerful) constituencies.

RUBINSTEIN